GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:448
ANSWERED ON:27.07.2006
ENTRY OF FOREIGN OIL COMPANIES IN INDIAN MARKET
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government proposes to allow foreign oil companies to enter in the Indian market;

(b) if so, the details thereof and the reasons therefor; and

(c) the manner in which the entry of the foreign oil companies is beneficial to the country?

Answer

MINISTER OF STATE OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL)

(a)&(b) In exploration and production, the Government has a Policy called New Exploration Licensing Policy (NELP) for exploration and production of oil and natural gas in the country and Coal Bed Methane (CBM) Policy for exploration and production of CBM. These two transparent policies provide a level playing field through international competitive bidding system to both domestic and foreign companies.

Reasons for inviting foreign companies in exploration and production are the following-

i) A large and geologically challenging area remains unexplored or poorly explored.

ii) There is urgent need to invite state-of-art technologies and geological ideas in addition to risk money for expeditious exploration.
In refining, 100% FDI is permitted through the automatic route. However, in case the project is taken up along with a PSU, FDI is restricted to 26%.

As per existing FDI policy, FDI up to 100% can be automatically approved for all the activities (other than refining) and including market study and formulation; investment/ financing, setting up infrastructure for marketing in Petroleum and Natural Gas subject to sectoral regulations issued by the Ministry of Petroleum andin case of actual trading and marketing of Petroleum products, divestment of 26% equity in favour on Indian partner/ public within 5 years.

100% FDI is permitted under automatic route for LNG terminals and petroleum product pipelines.

100% FDI is permitted with prior approval of the government in Natural gas pipelines.

(c) Foreign companies can bring in new technologies and fresh geological ideas besides risk capital.